THE ECONOMIC BEHAVIOUR OF CRIMINALS: AN ANALYSIS INTO THE ECONOMICS OF CRIME

SUSHMITA R.
School of Law, Christ University, Bangalore-09
Email: sushmita.r@law.christuniversity.in

SHIVANI KUMAR
School of Law, Christ University, Bangalore-09
Email: shivani.kumar@law.christuniversity.in

ABSTRACT

The study of crime has always been a multidisciplinary activity. Many criminologists, sociologists, psychologists and political scientists have been prominent. However the economic view of crime is the most prominent with regard to its nature. A rational criminal model assumes Criminals will commit fewer crimes if the severity of punishment rises. This paper provides an analytic synthesis of the contribution by economists to the study of crime and the criminal justice system. The Authors in this paper show the relation of economics with crime in various dimensions. The Paper discusses the Economic behaviour of a criminal where a person is assumed to act rationally on the basis of costs and benefits of legal and illegal opportunities while committing crime. The Research paper determines the causal relationship of unemployment to crime and means of preventing it.

Key Words: Crime, Punishment, Sanctions, Rational Choice, unemployment

INTRODUCTION

Economics, being a social science, is very closely related to law. It studies the way in which a man tries to satisfy his wants and needs. It is pertinent in today’s scenario where the resources are limited and the wants are unlimited. Economics also looks into the aspect of production and distribution of wealth. One must understand that economics is a science of wealth and jurisprudence is a science of law.

Economics aims to improve quality of life of the people and also leads to development of their personality. Law, on the other hand, promotes social and economic welfare by ensuring orderly and lawful dealings in society. Thus, both the social sciences aim towards betterment of the lives of general public.

An example to show the above would be the laws relating to workmen’s compensation, labour laws, laws related to abolition of child labour, laws related to prevention of crime, laws related to insurance acts, preventing the fragmentation and sub-division of agricultural
holdings and regulation of agricultural labour, etc. Thus both help each other in furthering the welfare of society.

As economics and law are closely inter-related, there are many eminent economists such as, Richard Posner, Calabrezi, Gary Becker and many others who have laid emphasis on the economic analysis of law. This is where law is studied in terms of economics. This concept is explained below with the help of economic analysis and examining economic aspects of criminal law.

Due to the wants being unlimited and the resources being limited, a human being may go to any extent to satisfy his want. This explains the increase in the rate of crime. It must be inferred from the above that mostly economic factors are responsible for crimes. New economic problems arise from day-to-day and it is the duty of law to tackle them.

Economics plays a major role in criminal law. It is economics that looks into the aspect of pecuniary and non-pecuniary sanctions that are to be awarded to the criminals, by the state. It analyses the intention of a criminal behind carrying out an action and helps the state to impose penalties accordingly.

It is not only the state but also the criminals, who have an economic perspective towards crime. Just like the state, they also equate the risks taken in a particular crime and the benefits that they get out of committing a particular crime. Suppose the benefits are greater and the chances of them getting caught are lesser, the criminals go ahead with the crime. The criminal also think in terms of opportunity costs attached to committing a particular crime. For example, a person may compare the benefits of working in a grocery store and committing theft. Suppose the benefits of theft are more and the risk is less, he may forego working in a grocery store as theft is an easy way out. Thus a job in grocery store is an opportunity cost for him. Hence, it is clear that criminal law has an economic angle to it. Criminal intent has been clearly explained below.

Economics is one of the methods used by the state to combat crime and impose sanctions on the criminals depending upon the degree of crime. This has been explained below.

Does Economics Help in Combating Crime?

Economic model of punishment of criminal offences examines whether the punishment for a crime and the deterrence could be set a price. Just like in a commodity’s market where there is a low supply of commodity and a high demand for a product, the producer may charge a high price to reduce the demand and balance the equation. Similarly, the state would impose sanctions in order to reduce the demand for crime. This would be in the form of an expected cost of having to pay a fine or go to prison for committing crimes, but people are actually fined or imprisoned only to maintain the credibility of the deterrent. The main aim of the pricing in for of criminal sanctions is not to ration the criminal activity but to destroy or prevent it.

The economic model of crime look into the question as to what acts must be punished and upto what extent? In order to answer this, one must look into the social cost i.e cost of preventing the crime and the damages suffered by the society, from the crime. If the social
costs are high then an act should be treated as a crime and should be punished so that the social costs are reduced. Economics supports grading of punishment. This is where an act has been graded according to its severity and then a sanction is attached to that particular act. this is mostly done in the cases of fines. For example, under the Indian Motor Vehicles Act, jumping a signal may impose a fine of Rs 100 whereas in a case of drunken driving it will be up to 3000 or imprisonment.

One must know that a person commits crime only when the expected benefits are greater than the expected costs. These benefits are the satisfaction from the criminal act. Economic model of punishment tries to prevent crime by looking into the aspect of opportunity cost. It is said that the opportunity cost of crime can be increased by providing more employment to the people, leading to a gain in lawful work. Secondly, this model tries to curb crime by redistribution of wealth between the rich and poor. This can be done with the help of progressive taxation. It may also be argued that by not concentrating wealth in fewer number of people, the cost of protecting the wealthy by contracting the police force could be reduced. The criminal will not risk committing crime as the risk of getting caught will be high.

This may be the case only in crimes related to tangible property. In case of rape, which is a heinous offence, it has been said that it is not a pure coercive transfer as some rapists derive extra pleasure from the fact that the women haven’t given their consent and therefore, they have no transaction cost or opportunity cost. The intent of the rapist is not to derive any tangible benefit but mere sadistic pleasure.

It can be said that law does not think in terms of economics. What is important to society is how far the punishment imposed by the courts of law acts as a deterrence to persons who want to obtain illegal gains out of their criminal activities. It is also a part of criminal law which demands that a person who has been convicted earlier for a case of, let us say theft, will be meted with greater punishment than a first offender. The above explanation would not make any sense in a market situation or in any case of a general crime or an intentional tort. It explains why a thief who is caught should give up what he has stolen on top of whatever punishment is meted out to him, even if the victim is not seeking restoration.

One of the examples of preventing crimes with economics is the practice in multiple offender laws of USA and the federal sentencing guidelines, of punishing repeat offenders more severely, raising the price of crime to people who value the crime more than other people do. Hence, people who value the activity more are the ones who are to pay more. This can be based on the principle of diminishing marginal utility.

The argument of Richard Posner that in competitive markets consumers pay the same price for buying the same product, has no relevance to crime. The purchase of a commodity for the same price over a period of time is a matter of demand and supply in the market. But in the case of crime there is no case of demand and supply because the criminal is not going to supply anything to the consumers.

Another point which advocates the preventive theory of criminal punishment is that the elasticity of supply is highly elastic. When criminal activities help the criminal to commit
offences which brings him higher returns, then even a person who believes in law may be tempted to commit more criminal acts.

THE ECONOMIC THEORY OF CRIME

The economic theory of crime starts with the premise that crime is a choice. It is not the result of character or culture, or not only of those things, but is at bottom a product of decisions individuals make in response to their available options. The Rational mind of any individual makes him weigh the consequences of his act if the act outweighs the costs involved then it is economically feasible to take such a step indeed as similar to a cost benefit analysis every criminal makes an analysis before committing the crime. In cases of crimes like theft the criminal finds it more feasible to rob and feed his family and escape with a small punishment. Hence any crime policy should focus both on making criminal opportunities less tempting and on making the law-abiding life more rewarding.

Four Important aspects of economic approach to crime

1. An emphasis on the role of incentives in determining the behavior of individuals, whether they are criminals, victims, or those responsible for enforcing the law;
Here the emphasis on incentives in determining behaviour arises from assumption in economics that individuals maximize their utility subject to constraints. Hence particularly in the context of criminal behaviour, a probable generalization about human behaviour is that most individuals do the best they can with what they have.

2. The use of econometric approaches that seek to differentiate correlation from causality in non experimental settings;

The emphasis in economics on identifying true causal impacts of particular crime-control policies is an important objective of such a research. Questions, such as the impact of the size of police forces or the scale of imprisonment on crime, are vexingly difficult to answer because crime rates influence the formation of public policies that combat crime. Hence it is important to examine the impact of policies on the crimes committed. Many economists in this process have found various components of the criminal justice system to be effective, but not always cost-effective, means of reducing crime. This papers aims to find the cost effective means of reducing such crimes

3. A focus on broad, public policy implications rather than evaluation of specific, small-scale interventions;

The emphasis on broad, public policy implications rather than on the assessment of particular, small-scale policy interventions. The aspect of generalisation is discussed in this paper where the economic elements of crime must be discussed in a general sense in order to understand human behaviour in general rather than in particular settings. Similarly, for economists interested in evaluating policy, a frequent objective is to provide analysis that is sufficiently general to assist policy makers in numerous contexts.
4. The use of cost-benefit analysis as the metric for evaluating public policies

In economic theory, a widely used normative criterion is Pareto efficiency, the condition in which no reallocation of resources can make one person better off without leaving another person worse off. In practice, economists typically assess the desirability of a social program by weighing its costs and benefits, relative to other alternatives. This is very evident in context of crime as well cost-benefit analysis furnishes a coherent normative criterion that is especially appropriate in the context of crime control, where the menu of policy alternatives is extensive and hundreds of millions of dollars are expended.

CRIMINAL BEHAVIOUR : RATIONAL CRIME

Economists usually describe the economic model of decision making as an account of behaviour, not as an account of subjective reasoning processes. Thus, consumers are said to act as if they were computing marginal utilities. Similarly, criminals are said to act as if they were comparing marginal benefits of crime and expected punishments. Every criminal weighs the consequences of committing a crime in terms of costs and benefits. Hence a crime pays when

Cost < Expected Gain - Punishment.

Hence The costs include various out-of-pocket expenses (for guns, burglar tools, masks etc.,) the opportunity costs of the criminal’s time, and the expected costs of criminal punishment and the benefit will depend on the severity of punishment and expected gain.

We develop a predictive theory of criminal behaviour, by explaining how a rational, amoral person might decide whether or not to commit a crime. By a ‘rational, amoral person’ means someone who carefully determines the means to achieve illegal ends, without any guilt or morality. Crime can be ranked by seriousness, and punishment can be ranked by severity. The more severe punishments are attached to the more serious crimes.

We measure the seriousness of crime along the horizontal axis and the severity of punishment along the Vertical axis.

1.1 The relationship between seriousness of crime and severity of punishment

The curve line labelled “actual punishment” shows the severity of the punishment prescribed in the criminal code as a function of the seriousness of the offense.

The punishment curve slopes-up to indicate that the punishment becomes more severe as the crime becomes more serious. The 45 degree line represents a punishment schedule for purposes of deterrence. When the severity of punishment equals the seriousness of the offense, punishment causes perfect disgorge- ments. A rational decision maker takes the probability of punishment into account when contemplating the commission of any crime. When the expected punishment exceeds perfect disgorge- ment, the criminal is worse off for the crime and hence the costs exceeds the benefits.
Consider the Next Graph  In this case, the expected punishment dips below perfect disgorgement. In this range the criminal gains more than he expects to lose, so crime pays.

1.2 Expected punishment and decision to commit crime

As long as deterrence is costly, the optimal amount of crime is positive. Costly deterrence precludes a rational society from entirely eliminating crime

CRIMINAL INTENT

It is clear from the above that economics may help in preventing crimes to a certain extent. The concept of intent can be considered as an economic function in criminal law. The commission of most crimes, however, requires criminal intent. To commit crimes, it is not enough for people to act as if they had criminal intent. They must actually have it. So, criminal law concerns reasons, not just behaviour. The factor of intent can make a huge distinction between a premeditated crime and an innocent tortuous act. Criminal intent tries to distinguish pure coercive transfers from economically distinct conducts that resembles them. Bad intent or criminal intent is used as a proof in order to calculate the punishment to be given to the criminal. For example, premeditated murder is given a severe punishment compared to a murder committed in a fit of rage. This is because in the first case, the criminal has mens rea and a plan of escape.

One may also want to look into the economics involved in the crimes committed by a group which are given an advantage over the other by the laws. An example of this would be the protest against criminalizing marital rapes. If we look into the bargaining theory given by Coase, it is implied that both the parties, who are negotiating must be on an equal ground. One must not have an upper hand over the other. However, one party may value the subject of interest, more than the other. Suppose a marital rape has been criminalized, then the woman may have an upper hand in the case of a divorce. The wife’s bargaining position may be increased in case of a divorce proceeding. The husband might value his reputation which can be at stake due to false allegation and hence he may be ready to give her whatever she would ask. This point can be misused by many women as it may encourage a criminal intent to blackmail the husbands in giving them money and other undue benefits.

UNEMPLOYMENT AND CRIME

A number of theoretical and empirical studies have attempted to explain crime as a result of, among other variables, the probability of detection, the severity of punishment, and the unemployment rate. A key question is whether unemployment makes honest people turn to crime. The theory on economics and crime suggests no direct link between unemployment and violent crime. However most of the crimes committed by unemployed are property crimes. The diagram below shows the Distribution of Property Crimes in Sweden

1.3 The distribution of property crimes in Sweden in 1999

Property crime consists of burglary, robbery, car theft, bike theft, theft/ pilfering from motor vehicles and shops respectively, and fraud. The distribution of these crimes in Sweden in
1999 is shown in above figure. Property crime in 1999 constituted around 47 percent of total crime, while violent crime accounted for 6 percent. Among these crimes Pilfering is the highest in number. The criminals view this crime as more beneficial and it pays. Any criminal committing such a crime is better off after committing the crime as a result it is very evident that any criminal will act rationally while committing a crime and when a person is unemployed and unequal in the society he tends to forget his moral values and act in terms of a rational economist. The behaviour of criminals is based on the severity of punishments as well along with the social cost of crime

CONCLUDING REMARKS

According to Becker (1968), the theory of the economics of crime considers crime as a type of work, i.e., as an activity that takes time and yields economic benefits. The past decade has seen a renaissance in the application of empirical economic approaches to issues of crime. Substantial progress has been made in understanding the impact of elements of the criminal justice system such as police, prisons, and the death penalty. In addition, new hypotheses related to racial profiling, concealed weapons, and legalized abortion have emerged as contentious and widely publicized debates. In some cases, such as the impact of adding more police, a consensus has developed among economists. For most other questions, substantial uncertainty remains, ensuring that the subject will be a fertile area of study for the foreseeable future. Hence this research has answered all aspects of economic behaviour of a criminal and the relation between unemployment and crime which will indeed help in preventing crime by taking certain measures

REFERENCES

4. The Indian Motor Vehicles Act, 1988 sec. 177, sec.185

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